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Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 8th meeting
Held at Headquarters, New York, on Monday, 16 April 2007, at 9.30 a.m.

President: Mr. Čekuolis ..... (Lithuania)

Contents

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

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The meeting was called to order at 9.50 a.m.

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (E/2007/10 and Corr.1, E/2007/46)

1. **The President** said that the current meeting marked the tenth anniversary of the special high-level meetings, which had served as a unique forum for building a stronger relationship between the United Nations and the Bretton Woods institutions and the World Trade Organization and had helped to promote a successful outcome of the Monterrey International Conference on Financing for Development. The meetings had also provided an important channel for dialogue between the Council and those institutions on the implementation of the Monterrey Consensus. The sub-themes selected for the discussion (good governance at all levels, voice and participation of developing countries in international decision-making, trade and investment policies, and aid effectiveness and innovative financing) lay at the very heart of the Consensus. Progress in each of those areas would be essential to meet the Millennium Development Goals.

2. Results in achieving the Goals had fallen short of expectation, and the opportunities opened by robust economic growth and expanding global integration must be translated into tangible progress. That would entail coherence, consistency and coordination in policies with a direct or indirect bearing on the realization of the Goals. To that end, the Council must focus on four aspects of its work.

3. First, the 2005 World Summit had mandated the Council to hold an annual ministerial review to evaluate progress made towards the internationally agreed development goals, including the Millennium Development Goals. The first review, which would take place at the forthcoming substantive session, would provide an opportunity to exchange lessons learned and identify best practices. Second, the Development Cooperation Forum, also mandated by the 2005 World Summit and to be launched in July 2007, provided a platform for ensuring that efforts to support countries in their endeavours to achieve those Goals were well coordinated for optimal impact. Third, efforts to achieve individual internationally agreed development goals must be underpinned by a continued commitment of all to global partnership for development. Given the linkage between the United Nations development agenda and the global partnership for development, it might be useful to consider how to relate the deliberations on the Monterrey Consensus to the theme of the Annual Ministerial Review and the work of the Development Cooperation Forum. Finally, the 2008 review of the outcome of the Monterrey Conference presented an excellent opportunity to reinforce efforts to implement the Consensus, and the 2008 high-level meeting could contribute to that review. One option might be to constitute a Joint Ministerial Group to prepare proposals for consideration. The recommendations of the Group could serve as a basis for discussion at that meeting.

4. The challenges of development remained daunting, but solutions could not be found through individual or piecemeal approaches. The international community must join forces to fight poverty and hunger and avert the threats posed by climate change and other problems that defied boundaries and borders. Solidarity, conviction and determination were needed to make the United Nations development agenda a reality and the Economic and Social Council a true global forum for joint efforts.

5. **The Secretary-General** said that the latest economic reports indicated that the recent unprecedented period of sustained and widespread growth was continuing, particularly in the developing world. But those same reports also warned that risks were increasing, as global imbalances and the volatility of some financial markets worsened.

6. The Monterrey Consensus had recognized the need for good governance at all levels to ensure that resources were mobilized and used effectively. Participation, transparency and accountability were all crucial components of the process. Countries themselves must be in the driver's seat when governance reforms were involved. Experience showed that donor-driven initiatives, especially when externally imposed, could weaken the legitimacy of domestic efforts and be counterproductive.

7. Corruption reflected a failure of governance, but the fight against corruption was not synonymous with governance and should be addressed as part of comprehensive reforms. Furthermore, anti-corruption efforts should reinforce the only internationally agreed framework in the field, the United Nations Convention against Corruption. He noted with concern that the

industrialized countries had been slower to ratify that instrument than developing countries.

8. The Monterrey Consensus also called for developing countries to have a greater voice in international decision-making. Those countries had 79 per cent of the world's population and contributed 45 per cent of world output when measured in terms of purchasing power parities; yet their significance was poorly reflected in forums where decisions about their economic and social future were taken. Some of those institutions had been created 60 years earlier under vastly different circumstances; if they were to strengthen their own legitimacy and credibility and better serve the world's peoples, they must engage in reforms that reflected current economic realities. That meant increasing the weight of several developing countries which had grown substantially in recent decades and giving adequate voice to smaller economies where many of the world's poor lived.

9. Trade was another essential part of the picture, along with sound policies for investment and technology. The recent resumption of the Doha Round of trade negotiations was welcome, but its development promise must not be compromised. Developing countries needed better market access, as well as help to improve their production and trading capacity. There was a need to eliminate all export and trade-distorting agricultural subsidies of industrialized countries and to reform the rules for intellectual property rights to ensure that the poor had better access to new technologies and products.

10. With or without a breakthrough on trade, there would still be a critical role for official development assistance. Recent years had seen the emergence of significant new donors, as well as the reversal of the downward trend in assistance of the past decade. However, despite recent promises of increased aid flows, assistance had fallen by more than 5 per cent in 2006, which was a matter of concern. While there had been modest gains in generating development financing through innovative approaches, new initiatives must be encouraged. It was also unfortunate that the provision of official development assistance had become unnecessarily complicated, fragmented and poorly coordinated. Recipient countries had little influence over the process and all too often aid was driven more by politics than by need, undermining its effectiveness. The growth in aid in recent years had stemmed largely from increased debt relief and emergency assistance rather than fresh funding; yet fresh funding was needed if countries were to overcome the financing gaps and achieve the Millennium Development Goals.

11. While the interests and views of donor countries were well represented in the multilateral financial institutions, there had been no effective permanent forum reflecting the interests of recipient countries. The launching of the Development Cooperation Forum in the context of the Economic and Social Council should help to improve international oversight of development assistance. He encouraged the Bretton Woods institutions and the World Trade Organization to be active participants in the new initiative, which had been supported by the Heads of State at the World Summit.

12. The views expressed during the deliberations would provide critical inputs for the first Annual Ministerial Review and the Development Cooperation Forum, as well as the General Assembly's High-level Dialogue on Financing for Development. Those, in turn, would be crucial steps towards the International Conference on Financing for Development to be held in Doha in 2008. He took a strong personal interest in those matters, and would work to achieve the Millennium Development Goals and to advance the wider development agenda.

13. **Ms. Al Khalifa** (President of the General Assembly) said that the unique format and comprehensive nature of the Monterrey Consensus were an important model for multilateralism. The Consensus gave a voice to all parties with a stake in development, making it possible to move the global development agenda forward by means of additional finance for development and clear targets for donors, establishing a framework for global partnerships and good governance and strengthening the voice of the developing world.

14. The importance of those issues could not be underestimated. Poverty and lagging development were the most pressing issues of the times. Poverty had a face in the developing world, and at the halfway point to 2015, more energy must be devoted to implementing the Goals.

15. She appealed for a move beyond the mistrust that sometimes frustrated progress towards the shared objective of ridding the world of extreme poverty and improving the lives of millions around the world.

Achieving those shared goals would not only end poverty but would make the world a safer, more stable and prosperous place for all.

16. Pursuant to General Assembly resolution 61/191, consultations would be held in preparation for the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus in 2008. Furthermore, she had taken the initiative of organizing a follow-up to the informal thematic debate in the General Assembly on development that had taken place in November 2006. The event would be entitled "Implementation of the Millennium Development Goals and Financing for Development" and be held in June 2007 in Doha.

17. If all stakeholders worked together, the Goals could be implemented by 2015. That would be the greatest gift to humanity that the international community had it in its power to deliver.

18. **Mr. Werner** (Deputy Chairman, Development Committee) said that, in affirming its shared commitment to implement the Monterrey Consensus and the Millennium Development Goals, the Development Committee of the Bretton Woods institutions recognized the crucial importance of continued cooperation and engagement of the international community, in particular through the United Nations system, and the coordinating function of the Economic and Social Council. It also recognized the importance of recent efforts to revitalize the Council's key role in addressing issues of economic and social development.

19. The discussions in the Development Committee had focused on how the challenges set forth in the Goals could be faced most effectively, and drew on data and analysis presented in the latest edition of the World Bank's *Global Monitoring Report*.

20. Continued strong progress being made worldwide in reducing income poverty was welcome; however, progress had been uneven across countries and sectors. There had also been mixed results regarding the human development Goals. Major increases had been recorded in primary school completion and vaccination coverage, but progress had been weaker on reducing child mortality, childhood malnutrition and maternal mortality. The Committee called for further reinforcement of country, donor and multilateral development bank efforts targeting the health and education Goals and heightened attention to universal access to reproductive health services. The quality of education and health services was also important, and the Committee had called for stepped-up efforts to improve and monitor their quality.

21. Gender equality and the empowerment of women were important not only for achieving the gender-specific aspects of the Goals, but for their attainment as a whole. Many countries had made welcome progress on girls' school enrolment. Progress in the social sectors had not, in general, been matched by comparable advances in the productive sectors, and the Committee called on the World Bank for full and rapid implementation of its Gender Action Plan.

22. Fragile States, defined by the weakness of their institutions and governance and frequently associated with recent conflicts, accounted for 9 per cent of the population of developing countries but about 27 per cent of the extreme poor. Those States were the least likely to achieve the Goals, yet several had shown that it was possible to transition from weak institutions and the legacy of conflict to sustained gains in growth and poverty reduction. The Committee encouraged the international financial institutions, working in partnership with the United Nations and other donors, to review their policies, procedures and incentives for their involvement in fragile States, and also encouraged the development of a comprehensive framework for the settlement of protracted arrears cases.

23. Despite recent strong growth in much of the continent, many countries in sub-Saharan Africa faced challenges in meeting the Millennium Development Goals. Africa had been a special focus of the Committee's deliberations, and it had reviewed the early implementation of the World Bank's Africa Action Plan. It saw continuing relevance in the original strategic goals of the Plan, including support for African countries' efforts to accelerate pro-poor growth and to maximize achievement of the Goals. It also gave broad support to some proposed modifications to the Plan, which would increase selectivity and sharpen the focus on results.

24. The Committee noted that total official development assistance flows had grown in real terms over the past decade. A significant part of that increase reflected debt relief, which was making important contributions to country-level financial resources and progress. However, there was concern that the total had

actually declined in real terms in 2006. The pledges made in 2005 to double aid for Africa by 2010 had not yet been translated into increased donor resources for programmes on the ground. He called for renewed efforts at scaling up financing to support sound country-owned programmes, and looked forward to a successful fifteenth replenishment of the International Development Association (IDA).

25. The Committee welcomed new and emerging public and private sources of aid but noted the increasing risks of aid fragmentation and earmarking, increasing transaction costs for recipients and reducing aid effectiveness. It therefore emphasized the importance of the country-owned approach, which provided a platform for aligning multiple sources of development finance with national priorities. Donor coordination must be reinforced, including between traditional and emerging donors.

26. It also noted the importance of trade as a driver of growth and poverty reduction and expressed its hopes for a breakthrough in the Doha Development Round negotiations. Much was at stake for all member countries and failure to seize the opportunity could involve considerable cost to the global economy, and in particular to the developing countries.

27. The Committee welcomed a report of the Executive Directors of the World Bank and the strategy paper "Strengthening Bank Group Engagement on Governance and Anticorruption". It endorsed the principles of transparency, predictability, consistency and equity of treatment across member countries on which the Bank's work would be based. It also welcomed the comprehensive range of options for enhancing the voices of developing and transition countries in the Bank's decision-making framework, which was key to strengthening the credibility and legitimacy of the institution. Further consultations would be necessary to reach a political consensus, of course. Among other important issues addressed were the early stages of the implementation of the Bank's clean energy strategy, analysis of fiscal policy for growth and development, and a report prepared by an external review committee on the collaboration between the International Monetary Fund and the World Bank.

28. It was important to ensure that the Bank could effectively carry out its mandate and maintain its credibility and reputation as well as the motivation of its staff. The current situation was of great concern to all. The Committee endorsed the Board's actions in looking into the matter and asked it to complete its work. The Bank was expected to adhere to a high standard of internal governance.

29. **Mr. Ould Mohamed Lemine** (President, Trade and Development Board of the United Nations Conference on Trade and Development (UNCTAD)) said that the long-standing objective of establishing a coherent and coordinated structure of international institutions to promote trade and development had still not been met. In an increasingly interdependent world, a coherent framework for international economic relations was crucial. All countries, in particular the economic Powers, should consider the impact of their decisions on other countries and the international institutions should harmonize their policies in order to promote an open and sustainable multilateral trading system.

30. Coherence was at the core of the mandate and work of UNCTAD, which had been strengthened with the adoption of the Sao Paulo Consensus, recognizing that improved coherence between national and international efforts and between international monetary, financial and trading systems was essential for sound global economic governance. It was on that basis, and taking due account of General Assembly resolution 60/265, that the various UNCTAD bodies worked to fulfil that mandate.

31. The three main areas of the work of UNCTAD — consensus-building, research and analysis, and technical cooperation — were structured around the integrated treatment of trade and development and interrelated issues and thereby helped create an international environment conducive to development. The work of UNCTAD took account of the challenges, opportunities and general impact of globalization. Many countries had benefited from globalization, but many others had not. In response, UNCTAD was working to revitalize the global partnership for development and promote the implementation of the outcomes of global conferences, including by encouraging improved coherence, cohesion and coordination between international monetary, financial and trading systems. In that connection, greater participation in international decision-making and economic norm-setting processes was needed. The achievement of internationally agreed development goals also depended on greater coherence between

international structures and national development strategies. Such strategies must respond to country-specific priorities and needs. Developing countries must be able to reconcile national efforts with international commitments.

32. The research and analysis work of UNCTAD was very important. UNCTAD supported the efforts of developing countries to make trade an engine for development and growth, as well as their efforts vis-à-vis the rapid conclusion of the Doha Development Agenda. It also supported South-South cooperation and encouraged the integration of developing countries, particularly those still relying on commodity exports, into new sectors of the global market. Through such actions, UNCTAD intended to play fully its role as the body responsible for the integrated treatment of trade and development and interrelated issues.

33. In order to strengthen that role, UNCTAD was undergoing an internal revitalization effort. The Trade and Development Board was currently examining the recommendations of the Panel of Eminent Persons appointed by the Secretary-General of UNCTAD, some of which could be adopted by the end of the week. The revitalization effort would culminate in 2008 with the twelfth session of UNCTAD (UNCTAD XII), the outcome of which would both make the Organization more effective and strengthen synergies and complementarities with other international organizations.

34. In playing that role, UNCTAD promoted coherence among international monetary, financial and trading systems, while also recognizing that the World Trade Organization (WTO) and the Bretton Woods institutions were the main protagonists in that area. That collective effort must be intensified: without a coherent and integrated approach, the implementation of the Monterrey Consensus and the other internationally agreed development goals ran the risk of being disjointed.

35. **Mr. Portugal** (Deputy Managing Director, International Monetary Fund (IMF)), reporting on the recent meeting of the International Monetary and Financial Committee, said that Ministers had welcomed the continued strong expansion of the global economy, which was becoming more balanced regionally, but had warned about a possible reassessment of risks in global financial market conditions, a sharper than expected downturn in the United States economy and a revival of inflationary pressures if oil prices rebounded. The risk to the global economy of a possible rise in protectionism and the substantial growth that would be foregone should the Doha Round fail made trade policy a key medium-term concern.

36. In the advanced economies, monetary policy needed to maintain price stability. Fiscal positions were strengthening and the time was ripe to further advance fiscal consolidation and the fundamental reforms that would help ensure long-term fiscal sustainability. Potential growth would be bolstered by reforms to enhance the capacity of labour to adapt to globalization and by further steps to enhance productivity and competition in product and services markets, liberalize trade and improve market access.

37. Emerging markets and other developing countries were performing strongly and improving their resilience to the possibility of turbulent financial markets and volatile commodity prices. To consolidate their performance, budgetary positions needed to be strengthened, debt management improved, the credibility of monetary and fiscal policies entrenched and sustainable external positions ensured. Improving the functioning of domestic financial markets and the business and investment environment remained a key medium-term priority. Among some surplus countries, there was a continued need for increased domestic demand and exchange rate flexibility.

38. Low-income country growth, including in sub-Saharan Africa, was robust. Poor countries and donors should continue working in partnership, so as to accelerate progress on the Millennium Development Goals. Countries should persevere with sound macroeconomic policies and reforms to foster vibrant and diversified market-based economies. The international community should provide increased and more efficient aid, including through fulfilling donor pledges to double aid to sub-Saharan Africa by 2010. Further trade liberalization, the honouring of Aid for Trade commitments and the early establishment of the enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries were also important.

39. The multilateral consultation on global imbalances launched after the International Monetary and Financial Committee's spring 2006 meeting was welcome. Resolving imbalances in a manner

compatible with sustained global growth was a shared responsibility. Policy plans set out by the participants represented further progress in implementing the strategy previously endorsed by Ministers. Experience so far suggested that the approach based on discussion and cooperation among members would be useful and valuable for deepening and enhancing IMF surveillance.

40. The resumption of the Doha Round negotiations was welcome. WTO members should renew their commitment to urgently achieve an ambitious outcome. Strong political leadership from those countries playing a central role in negotiations was needed to forge a breakthrough. All members would benefit from an outcome that reduced trade barriers and strengthened the multilateral trade system, thus fostering growth and ensuring that the benefits of globalization were widely shared.

41. IMF surveillance should be strengthened and modernized. Ministers had called on the Executive Board to continue to prioritize work on that reform, including by updating the 1977 decision on surveillance over exchange rate policies. The reform should ensure that dialogue and persuasion remained key pillars of surveillance; that surveillance paid due regard to members' circumstances; and that no new obligations were created. Ministers supported efforts to strengthen the assessment of the financial sector, capital markets and exchange rate issues and enhance the focus of surveillance on key risks facing members and cross-country spillovers.

42. It was very important for the programme of quota and voice reforms adopted by the IMF Board of Governors in Singapore in September 2006 to be implemented in line with the agreed timetable. Ministers welcomed the consensus reached in the Executive Board regarding the legal framework for an amendment to the Articles of Agreement regarding basic votes. Initial informal discussions had stressed that the new formula should be simple and transparent and capture members' relative positions in the world economy. Such reform would result in higher shares for dynamic economies, many of which were emerging market economies, whose weight and role in the global economy had increased. The Committee also stressed the importance of enhancing the voice and participation of low-income countries; a key mechanism was an increase in basic votes, at a minimum preserving the voting share of low-income countries. Ministers had called on the Executive Board to continue its work on the reform package as a matter of priority.

43. The Committee attached high importance to steps taken by IMF to strengthen its engagement with emerging market economies. It called on IMF to accelerate its work on addressing the design challenges in developing an instrument that would enhance IMF support to those countries' own strong policies and ensure that substantial and timely financing would be available if needed, while safeguarding IMF resources and paying due regard to the interaction with existing IMF facilities.

44. IMF should remain fully committed to helping its low-income members achieve macroeconomic stability supportive of sustainable growth, including through well-designed financial and policy support in the context of surveillance, Fund arrangements and technical assistance. Ministers had called for continued efforts to help countries reap the benefits of higher aid and debt relief and avoid a new build-up of unsustainable debt. Recent enhancements to the debt sustainability framework for low-income countries were welcome. All creditors and borrowers should work with the World Bank and IMF to use the framework as a tool for fostering coherent and responsible lending practices, identifying emerging debt-related vulnerabilities and elaborating country-owned debt strategies. Ministers looked forward to further work on the role of IMF in the poverty reduction strategy process and its collaboration with donors. Lastly, Ministers welcomed the message contained in the final report of the External Review Committee on IMF-World Bank Collaboration that a culture of close cooperation between IMF and the World Bank, taking into account their comparative advantages and respective mandates and responsibilities, was key to delivering services to members more effectively and efficiently.

45. **Ms. Rugwabiza** (Deputy Director-General, World Trade Organization (WTO)) said that the Doha Round was at a critical juncture. WTO members had returned to the negotiating table in February, but there was still no sign of the breakthrough needed to bring the Round to a successful conclusion by the end of the year. Unless tangible progress was achieved in the coming weeks, Governments would be seriously contemplating the reality of failure. Success was within reach, however, provided all WTO members were

ready to make a contribution. The real challenge was more political than technical. It was about leadership, compromise and a recognition by countries of their common interest in success and the collective cost of failure.

46. A number of major trading nations constituting what was known as the Group of Six (G-6) had recently met in New Delhi to give an additional push to such leadership. Even though those nations had been holding regular bilateral meetings since the suspension of negotiations in July 2006, the New Delhi meeting had provided an opportunity for group reflection over what was needed if the current small window of opportunity was to be grasped. G-6 Ministers had confirmed the need to conclude the Round by the end of the year and reaffirmed the importance of the Geneva process for the coming weeks. However, the renewed engagement from the main players, while key to the advancement of negotiations, was taking place too slowly. Time was running out.

47. The prospect of failure was quite worrying. The once-in-a-generation opportunity to open world markets to developing country exports and redress imbalances in global trade relations would be missed; the leverage that smaller and poorer members enjoyed at WTO would be lost in the face of increased pressure from bilateral and regional arrangements; and the multilateral trading system would be weakened.

48. Negotiations were currently dominated by three issues: agricultural subsidies, agricultural tariffs and industrial tariffs. In all three areas, there was a need for improved market access and more balanced rules that would allow developing countries to reap the benefits of globalization. Removing trade restrictions in those sectors, including through increased South-South cooperation, was the main contribution that WTO could make to fostering development and alleviating poverty.

49. Aid for Trade was a crucial factor in the development equation. Many developing countries had experienced only virtual gains from previous negotiating rounds and were therefore reluctant to even consider further trade opening in the current Round. Aid for Trade, though not part of the Doha Round, was critical to achieving a successful outcome for as many countries as possible. Aid for Trade was now a priority and many developing countries were actively engaged in identifying priorities, mainstreaming trade in national strategies and working with neighbouring countries on regional approaches. Such countries saw Aid for Trade as a catalyst for leveraging investment, entrepreneurship and reform. Now donors needed to honour their commitments, clarify their plans and begin delivering additional resources. In that regard, she welcomed the renewed commitment made by the International Monetary and Financial Committee and the Development Committee the previous weekend.

50. The role of WTO was not to become another development agency, but rather to mobilize, monitor and evaluate Aid for Trade. In that regard, WTO was establishing a system of monitoring at three levels: global monitoring, carried out by the Organization for Economic Cooperation and Development; donor monitoring, based on self-evaluations; and recipient monitoring, based on in-country assessments. The goal was not to create a new mechanism, but to help the many existing mechanisms work together more efficiently and effectively. Improved transparency would create incentives to honour commitments, meet needs, improve effectiveness and reinforce mutual accountability. It was possible for the principles contained in the Paris Declaration on Aid Effectiveness to be put into practice for Aid for Trade.

51. The Doha Development Agenda was the largest challenge that WTO had faced since its creation. The challenge was to achieve what had been started during the Uruguay Round: a more level playing field in areas of particular interest to developing countries, such as agriculture. The current phase was the most difficult. It would take a great deal of political courage and commitment to conclude the current Round successfully. WTO needed to be able to count on the international community's support for the Doha Round, so that together they could unlock the economic potential of developing countries, use trade development as an engine for accelerating growth and achieving the Millennium Development Goals and help make life easier for millions of people.

The meeting rose at 10.55 a.m.